

To: All Field Sales Personnel with Direct Account Responsibility

Due to the tight time frame we are working under for the WINSTON No Bull repositioning, it is necessary to ask you to contact your direct accounts before attending the Launch Meeting so that they are ready to handle the New WINSTON when it arrives.

It is critical that you fully understand the New WINSTON positioning before forming opinions or relating your thoughts to direct accounts. We would have preferred to present the positioning to you before you made trade contact but a tight time frame made this impossible. What you should know is this repositioning has been tested in Florida for over a year and it effectively reversed Winston's declines!!

Attached is the information necessary for you to present WINSTON No Bull to your direct accounts. Information includes:

- Guidelines for Minimizing Returned Goods
- Guidelines for Increasing Box Distribution
- July-December 1997 Workplan Summary
- Direct Account Fact Sheet
- UPC Information

Proper rotation at the direct account is critical so that our liability in returned goods is minimized. Please make this a top priority during your direct account coverage.

Direct Account Coverage: Begins week of 5/12/97

A step by step process which provides guidelines to minimize returned goods on the current packaging/blend is detailed on Pages 2-3 of Attachment A. However, other options may also be available. Each direct account has different ways of moving product through their warehouses.

During your first contact with the direct account, we recommend that you go through a discovery process to find out what systems/procedures can best be utilized to assist in the rotation of WINSTON. (Remember: With rotation, it's probably more effective to gain the cooperation of backroom personnel than it is to convince the manager)

Some questions you might ask:

- Who receives product into the warehouse?
- Do you work a "first in - first out" process or are the cigarettes pulled off the truck used to fill orders first?
- Is there an individual responsible for the rotation of cigarettes?
- Can a temporary, separate staging area be set up for New WINSTON that is utilized until the current blend/package sells through?
- What systems do you use to aid in product rotation with other products?

It is critical that a plan is put into place to minimize our liability on returned goods in all direct accounts.

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WINSTON - NO BULLSales Objectives/StrategiesReturned Goods/Inventory Reduction Program

- This change in the blend/package of our flagship brand has major financial implications if returned goods are not minimized. If handled incorrectly, it could cost RJR (you & me) millions of dollars!!! The importance of following the steps outlined below at wholesale and retail cannot be over-emphasized!

Steps to Reduce Inventory Levels of Current Blend/PackageDirect Accounts

Beginning with Direct Account contacts the week of 5/12/97:

1. Each person with direct account responsibility will inform the account of the change in WINSTON.
2. Inform the direct account that they could begin to receive the new WINSTON packaging as early as 5/26/97.
3. Inform the direct account that all new WINSTON packaging will be in white cases (for 3 months) to assist in product rotation. It is imperative that the direct account understands that they are responsible to ensure the current WINSTON packaging moves out first, before they begin shipping the new WINSTON. New WINSTON's case UPC codes will remain unchanged from current codes. It is strongly recommended that every direct account create a temporary, separate staging area ("phantom slots") for the New WINSTON brand style inventories that will be held until all current product of each style is shipped to retail. This will help avoid mixing of the current and new style graphics.
4. Beginning 6/2/97, it is field sales responsibility to make weekly coverage on all direct accounts to ensure that they are properly rotating all WINSTON brand styles and that no new WINSTON product is being shipped before the current packaging is gone! Keep in mind that the timing of shipments will be different for each WINSTON brand style. Complete product rotation will take several weeks to complete.
5. Beginning with weekly coverage at direct accounts the week of June 30, 1997, where inventories of current packaging still exist (this should be minimal and on slower moving brand styles), identify a small number of high volume stores (emphasis on carton outlets) where this product can be shipped and sold through Aggressive Discounting on Current Packaging as described on page 10 of the fact book. It is imperative that Field Sales Personnel with direct account responsibility pre-identify these high volume stores that current packaging product will be shipped to well in advance to ensure timely and planned distribution the week of June 30, 1997.
6. In the event proper rotation is not achieved and current packaging/blend remains in inventory, contingency plans have been developed. Keep your ROU informed on remaining inventories by brand style at direct account level and report them by style by July 18, 1997. These inventories should then be shipped back to Winston-Salem after orders replacing the total inventory amount are placed. These orders must equal the amount shipped back CARTON FOR CARTON!!

Very Important:

Historically, some direct accounts have shipped new product, then old, then new again after a packaging change. By following the steps outlined above at each direct account, this should be eliminated.

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WINSTON - NO BULL**Steps to Reduce Inventory Levels of Current Blend/Packaging - continued****Special Note to Florida:**

Direct accounts should continue ordering by existing case code through August 1, 1997. New product will be placed in existing cases after test product inventories have been depleted. Beginning August 4, 1997, new product should be ordered by case code numbers on page 25 of the fact book. Cases ordered beginning August 4, 1997 using new case code numbers will be shipped in white cases and will not be marked for "Florida Distribution Only".

Special Note to Oklahoma:

All Case, Carton and Pack UPC's for Select will change effective June 30, 1997, when your direct accounts will need to use the new case UPC's to place orders. June 27, 1997 will be the last date they can order current case UPC's.

Box Distribution Program - The Key to Success

In order for WINSTON's repositioning to be successful, it is imperative that we maximize WINSTON box distribution in all outlets. As stated previously, 65% of WINSTON's share growth in Florida came from increases in box business.

Direct Account Steps

1. During your first call to each of your direct accounts beginning the week of 5/12/97, sell all styles (5) of WINSTON Box not currently in distribution. There is no direct account allowance to accept these brands. However, anticipated sales will increase wholesaler profits and positively impact the Partner's program. Direct account allocations have been adjusted based on forecasted needs.
2. Do not place orders for any new styles of WINSTON box that the direct account does not currently keep in inventory until your region management informs you that we are shipping the new version of that style. (The field will be notified by brand management when the warehouse starts to ship each new WINSTON Box brand style) **After notification, place orders.** (This will ensure that new distribution is on the new product.) If you have to determine a ship date the day you sell distribution, then use July 21, 1997 or later.
3. All direct accounts will be shipping New WINSTON Box Styles by July 21, 1997.

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